



GEORGIA BUILDING AUTHORITY

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Gena L. Abraham

November 28, 2006

Elizabeth P. Archer
State Inspector General
Office of the Inspector General
1102 West Tower
2 Martin Luther King, Jr. Drive, NW
Atlanta, GA 30334

Re: 06-054

Dear Ms. Archer:

The Georgia Building Authority ("GBA") has reviewed the investigative report and recommendations regarding the use and handling of recyclable materials. We concur with your recommendations and our specific response to each recommendation is noted below in italics:

OIG Recommendations and GBA Responses

1. Establish a directive for the use of and/or disposal of recyclable materials. If GBA determines that recycling is cost prohibitive, they should explore whether there are vendors who would be interested in recycling for GBA so that the State can receive some benefit for the materials.

Effective immediately, any removal, disposal or recycling of excess or surplus building materials from state construction/renovation projects will either be handled by the contractor competitively selected to perform the construction project or through other competitive means. State employees are no longer directly responsible for the removal or recycling of excess building materials with the exception of contract management responsibilities. These changes include the elimination of handling recycling proceeds by state employees outside of GBA's accounting staff.

2. If a contract for scrap metal recycling is implemented, policies and procedures need to be clear to ensure understanding by all GBA employees and contractor personnel. These policies and procedures should address how recycling will be conducted during the State business day, ensuring tight controls for any cash or checks remitted by a recycling company to employees.

As stated above in response to recommendation #1, GBA scrap metal recycling will be handled by a competitively selected outside contractor, generally on a per project basis. The removal and recycling process will be set forth in the solicitation document (i.e. a Request for Bids or a Request for Proposals), the winning proposal and the final written contract. Recycling proceeds will either be factored into the proposed price or will be remitted directly to the GBA accounting lockbox. Therefore no field employees will have any contact with or responsibilities for recycling proceeds.

3. Communicate with recycling companies by formal letter, advising them to remit any payment directly to the agency's lock box located at the financial institution. Under no circumstance, should a GBA employee be handed cash or a check from a recycling company.

GBA's new approach will ensure that documentation from the recycling company(ies) is made a formal part of the contract file and will require written verification of recycling proceeds from the recycling company.

4. Review existing GBA policies and procedures relating to vehicle usage, including vehicles previously assigned to AFROHM. Policy should address who, what, when, where, etc., vehicles may be used.

A comprehensive review of AFROHM policies, procedures, and purposes including, but not limited to vehicle usage is underway. GBA anticipates significant changes in the first calendar quarter of 2007. In the interim, AFORHM vehicle usage will be governed by the September 30, 2005 "Rules, Regulations and Procedures Regarding the Use and Assignment of Motor Vehicles, Purchase, Operation and Disposal of Motor Vehicles and Associated Record-keeping" Policy Memorandum No 10, Rev. 6 issued by the Office of Planning & Budget and the Department of Administrative Services.

5. To help ensure accountability, we suggest that all agency vehicles contain a vehicle mileage logbook which will reflect date and time of use, name of employee using it, and destination and purpose of trip. A review of internal controls such as key control, physical storage, and security measures relating to vehicle inventory is also suggested.

The titles to all AFROHM vehicles have been transferred to GBA. Therefore, the vehicles have become part of GBA's fleet which is managed by the GBA motor pool

supervisor. All GBA vehicles are subject to the same procedures for use. Specifically, all GBA vehicles are subject to being checked-out for use by the separate working units/divisions within GBA. The checking-out process involves documenting the following: the unit or division requesting the vehicle's use; the purpose for which the vehicle is used; the destinations(s) of any vehicle trip; the unit or division manager's name; the driver's name; and the date and time of use. Once checked-out, the vehicle's driver is provided with a log-book to record the beginning and ending mileage. Checked-out vehicles must be returned to the GBA motor pool at the end of the workday. All documentation, including the check-out forms and vehicle log-books, is maintained by the GBA motor pool supervisor.

6. GBA must institute a clear policy that demolition waste is the property of the state and that employees shall not be permitted to take the materials for themselves. It must be made clear that taking these materials even if it is to be discarded is theft. In addition, GBA should communicate to their employees the Governor's Executive Order on Ethics.

GBA is finalizing a draft policy and anticipates its release and effective date to be December 1, 2006. In addition, GBA sent an email communication to all employees on April 20, 2006 which stated that,

*"GBA trash must not be given **TO** anyone **BY** anyone. Trash must be disposed of as trash (this includes surplus property with no value). When working with vendors who haul trash for GBA, you need to make sure they are aware of this rule...."*

GBA operating procedures regarding the handling of all state surplus property are also being drafted with an anticipated completion in January 2007 and effective date of February 1, 2007. GBA will ensure that the final policy documents clearly indicate that state demolition waste, excess building materials, or trash is considered state property; and, that the taking of such property for personal use or gain is considered by GBA to be theft by conversion under O.C.G.A. Section 16-8-4.

7. Consider investing in signage that can be moved between work sites which states that it is unlawful to remove state property.

GBA is investigating the feasibility of having movable signage to this effect.

8. Consider reviewing the handling of recyclables. For instance, if recyclable material can actually be sorted for an increase in revenue, it may be worth taking time to do so; although time intensive, more revenue can be returned to the state.

As stated above in response to recommendation #1, GBA contemplates that scrap metal recycling will be handled by a competitively selected outside contractor on a per project basis. The removal and recycling process will be set forth in the solicitation document (i.e. a Request for Bids or a Request for Proposals), the winning proposal and the final written contract. Recycling proceeds will either be factored into the proposed price or will be remitted directly to a GBA accounting lockbox. Therefore, no field employees will have any contact with or responsibilities for recycling proceeds.

GBA procurement staff will explore sorting possibilities on a per project basis since at this time we do not contemplate a standalone recycling contract.

9. GBA should perform an analysis of the use of purchase orders versus contracts within the agency. This is to ensure that established procedures are not circumvented by employees or vendors.

Under the direction of the GBA Executive Director and State Property Officer, GBA Procurement is reviewing the existing GBA Procurement manual in order to revise and establish clear delineation as to when a Purchase Order versus a contract should be used. The first draft of the revised Procurement Manual is complete and undergoing internal approvals. We anticipate this revised Procurement Manual being implemented by GBA, the State Properties Commission and the Georgia State Financing and Investment Commission in January 2007.

10. Recommend checking Certificate of Liability Insurance directly with carrier in order to validate authenticity; or, in the alternative, require the carrier to provide documentation directly to GBA rather than having the vendor supply.

GBA will verify the validity of vendor-provided Certificates of Insurance. We are presently working with the Department of Administrative Services Risk Management Division as well as soliciting input from existing state insurance carriers to revise our proof of insurance requirements. Based on our efforts thus far we anticipate requiring vendors to provide copies of actual policy endorsements where such are required to add GBA as an additional insured under the policy. Policy endorsements are issued by the carrier and cannot be generated by an insurance agent or the vendor. In transactions where GBA or the State are not made an additional insured under the vendor's liability insurance, we will continue to verify coverage with the carrier.

11. Consider using as a reference a 2003 Department of Audit and Accounts report entitled "Components of an Effective Contract Monitoring system" that was disseminated to agency heads across state government. This report provides agency management with an overview of methods their agency should be using and serves as a resource for ensuring that contracted services are adequately delivered.

GBA Procurement Services Department concurs with this recommendation and is reviewing and incorporating portions of this document into their revised Procurement Manual.

12. Explore employee professional development training in the areas of procurement, contract management, insurance, and risk exposure.

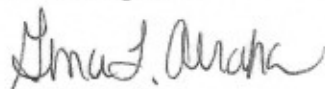
Agreed. Regular professional development is a priority for the new administration of GBA. We are in the process of hiring a training coordinator for GBA and recently offered a training course in insurance and related contract provisions attendance at which was mandatory for all legal and procurement staff. The seminar was conducted by officials from Marsh Insurance.

13. Embrace the concept of risk management using resource tools such as internal surveys. This is to ensure protection of assets and resources of agency through the identification and evaluation of potential exposure to loss. Communicate the importance of loss prevention and control to everyone; enlist their full cooperation and mandate compliance in this matter.

GBA legal staff is working closely with DOAS Risk Management Division to improve our internal risk management processes. In addition, GBA is implementing internal and external survey tools to assess areas in need of improvement including potential exposure to loss. Further, GBA engages outside auditors to review its financial books and has internal asset management and inventory controls that are being reviewed in light of the investigation and its findings.

The above responses highlight the internal controls that have been or shall be implemented at the GBA. Should you require any additional information, please do not hesitate to contact me at the number provided above. I sincerely appreciate the time taken by you and your staff during this review. It has provided the GBA with an opportunity to significantly improve its operational processes.

Best Regards,



Gena L. Abraham